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Farm incomes are improving this year. Despite lower prices for grains and soybeans, farm product prices in July-September averaged 3 percent above a year earlier. Rapid demand expansion has been the main cause, since the volume of marketings of most crops and major livestock products so far this year has also expanded.

Market receipts to producers in January-September this year totaled about 3 percent above the year-earlier rate. Much of the increase was attributed to larger receipts from livestock and products. Government payments also were larger. However, prices paid by farmers are also up this year, boosting farm production expenses and limiting gains in net farm income. In the first 9 months net farm income was at an annual rate of nearly $15 billion, about $½ billion above a year earlier.

The Nation's economy will expand further in the fourth quarter, though some slowing in demand growth appears likely. Retail sales gains have narrowed in recent weeks from the rapid July advance, though they are running well over a year ago. Business investment may increase only modestly. Expenditures by Federal and local governments will continue to rise, but perhaps more slowly.

Less corn, more of other grains hold feed output steady. The October 1 estimate of feed grain production was 175 million tons, slightly below the September estimate but equal to the record crop last year. The 1968/69 supply, including larger carryover stocks of old-crop grain, would be around 225 million tons, compared with 213 million last year.

The corn crop, forecast at close to 4.6 billion bushels, would be 3 percent below last year's record output. The sorghum grain crop of 777 million bushels would be up slightly. The oat and barley crops are 15 to 20 percent larger.

A continuation of favorable livestock-feed price ratios is expected to encourage heavier domestic use of feed in the 1968/69 season. Even so, the crops are expected to exceed domestic use and exports, resulting in some further increase in carryover at the close of the marketing year. Production and total use, however, are expected to be in much closer balance than in 1967/68 when stocks increased about 12 million tons.

With the big crops, feed grain prices this fall are below a year ago. In many areas, prices also are below the loan rates. This is resulting in increased movement of grain into loan, which probably will bring seasonal strength to corn and sorghum grain prices later in the marketing year. Prices of wheat, oats, and barley already have strengthened from August's low harvesttime levels.

Fall potato crop prospects improved a little during September. Nevertheless, the expected output of 217 million hundredweight is still 6 percent below last year's record. Production prospects are down 7 percent in the East, 2 percent in the Midwest, and 8 percent in the West.

Midwest prices around mid-October averaged about the same as the low levels of a year earlier, but in most other areas were up substantially. No major change from this pattern appears likely through the fall.

More soybeans: Increased supplies and a prospective easing in the growth of soybean demand are expected to keep average farm prices for the 1968 crop of soybeans near the support rate of $2.50 per bushel, about the same as last year.

The supply is up for the fifth straight year. At an estimated 1,232 million bushels, it is a record and 16 percent above a year ago. The current crop is estimated at 1,066 million bushels compared with 973 million last year.

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A 3 percent increase in harvested acreage and record yields per acre are responsible. Yields on October 1 were put at 26 bushels an acre, up 1.5 bushels from last year.

Plentiful citrus supplies ahead. The 1968/69 citrus crop (excluding California's late season oranges, grapefruit, and lemons) is expected to total substantially above last year.

Increases are expected in all States. Texas citrus production is expected to be more than double last season's hurricane-ravaged crop. California's Navel oranges will be nearly twice as plentiful as a year ago, when freeze damage cut output. And all types of Florida citrus are expected to be in greater supply. However, sizes are smaller than normal in Florida and the crop is unusually late.

The October estimate for cotton slipped about 1 percent from September. Drought damage in the Southeast more than offset some improvement in the West.

Nevertheless, the 11.0 million running bales now forecast is up 49 percent from the very small 1967 crop, but 21 percent below the 1962-66 average.

Less tobacco: Smaller crops and carryovers are reducing the U.S. supply of tobacco in the 1968/69 marketing year by around 4 percent from last season. The total supply, estimated at 5.9 billion pounds, is down for the fourth straight year.

Output of this year's tobacco crops, estimated at 1-3/4 billion pounds, is down 11 percent because of less acreage and reduced yields. The beginning carryover for the 1968/69 season is around 60 million pounds below a year earlier.

Less milk this year: Production likely will be about 118 billion pounds, about 1 percent below last year. Through September, milk output was down $1\frac{1}{2}$ percent, but the September production rate was down less than 1 percent from a year earlier.

September milk prices averaged 5 percent above a year earlier. Continued price strength is expected during the fourth quarter.

Egg output drops: A sharper than usual decline in output occurred in September to a level 3 percent below a year earlier. Production this fall is expected to decline further. Accordingly, prices will likely continue strong and well above a year ago.

More broilers: Increased chick placements and egg settings point to about 2 percent more broiler output in the fourth quarter than a year ago. Wholesale ready-to-cook prices in 9 cities the first week in October averaged 24.9 cents per pound--2 cents over last year. Prices may decline seasonally but probably will hold 1 to 2 cents per pound above the depressed levels of last year.

Hog slaughter this fall is likely to be close to the year-ago number. On September 1, producers said they had 1 to 2 percent fewer pigs on farms that would reach slaughter weights this fall.

Barrow and gilt prices in mid-October averaged about $19 per 100 pounds at 8 markets, slightly above a year earlier. This was down from the July high of $21.50. Further weakness is expected as slaughter supplies increase seasonally. Still, prices likely will hold above year-earlier levels for the rest of 1968.